

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7438

Petition of Green Mountain Power Corporation)
for Approval of Revisions to its Alternative)
Regulation Plan)

Order entered: 6/16/2008

ORDER APPROVING REVISIONS TO ALTERNATIVE REGULATION PLAN

I. INTRODUCTION

Green Mountain Power Corporation ("GMP" or the "Company") has requested that the Vermont Public Service Board ("Board") approve revisions to its Alternative Regulation Plan ("Plan"). According to GMP, the revisions are intended to conform the rate periods contained in the Plan to the fiscal year used for financial purposes (twelve months ending September 30), which the Company adopted after it was acquired by Northern New England Energy Corporation ("NNEEC"). The Vermont Department of Public Service ("Department") joined GMP's request. No other party commented on the proposal.

In this Order, we approve GMP's proposed revisions. These changes will allow GMP to align its Plan with its financial accounting periods. Absent the change, the difference between the accounting periods for financial purposes and for the Plan would have added complexity and delay. With the revisions, the Earnings Sharing Adjustor in the Plan will continue to be based on audited results. It also will have the effect of extending the term of the Plan from the current expiration of December 31, 2009, until September 30, 2010.

II. BACKGROUND

We approved GMP's Plan on December 22, 2006.¹ The Plan was for a period of three years, expiring on December 31, 2009. The Plan included two annual adjustments to rates, the Earnings Sharing Adjustor and the base rate adjustment, that are now calculated on a calendar-year basis.

On March 26, 2007, we approved the acquisition of GMP by NNEEC.² NNEEC and other affiliates calculate financial performance using a fiscal year ending September 30 rather than the end of the calendar year. As a result, GMP altered its fiscal year to comport with that of NNEEC and the other affiliates.

On May 1, 2008, GMP filed its petition to revise the Plan to reflect the changed fiscal year. By memorandum dated May 21, 2008, the Board solicited comments on GMP's proposed revisions, with notice sent to all parties in Dockets 7175/7176, the proceedings in which we approved the Plan. Only the Department submitted comments; the Department supports approval.

III. FINDINGS

1. The Plan uses actual financial results, based upon audited, fiscal year figures, to determine the amount of the Earnings Sharing Adjustor. Prior to its acquisition by NNEEC, GMP used a fiscal year that corresponded to the calendar year. Petition at 2; Griffin pf. at 2.

2. GMP's affiliates, including NNEEC, Gaz Metro Limited Partnership, and Vermont Gas Systems, Inc. use a fiscal year ending September 30 for financial reporting purposes. After the acquisition, GMP converted to the same fiscal year to promote accurate and consistent financial reporting across these entities and to avoid inefficiencies that may arise from using different cycles. Griffin pf. at 2.

3. As a result of the conversion, the annual period that is subject to audit is now the twelve months ending September 30. Griffin pf. at 2.

1. *Tariff Filing of Green Mountain Power Corp.*, Dockets 7175/7176, Order of 12/22/06.

2. Docket 7213, Order of 3/26/07.

4. Unless the Plan fiscal year is amended to match GMP's financial reporting period, the Earnings Sharing Adjustor will no longer be based on audited results. Griffin pf. at 3.

5. Several changes to the Plan are necessary to convert to the new fiscal year. These are the following:

- a. Conversion of the Earnings Sharing Adjustor to the new fiscal year;
- b. Conversion of the base rate adjustment period to the new fiscal year (to assure consistency with the Earnings Sharing Adjustor period;
- c. Adjustment of the filing deadlines and effective dates for the base rate adjustment and Earnings Sharing Adjustor by three months to maintain the existing intervals;
- d. Additions of a one-time, nine-month period for the base rate adjustment and Earnings Sharing Adjustor to allow for the fiscal year conversion (the changes would be implemented January 1, 2009, for the period ending September 30, 2009);
- e. Extension of the Plan termination date to September 30, 2010, to reflect the different periods;
- f. Inclusion of modified limits for the non-power-cost caps and floor on Exogenous Changes for the nine-month base rate adjustment period; and
- g. Other conforming changes.

Griffin pf. at 3–4; Plan at 1–4; exh. RJG-2.

6. If the Plan were not extended, GMP could not implement the conversion of fiscal years for purposes of the Plan until the end of the current Plan. Griffin pf. at 4–5.

IV. DISCUSSION

We find that GMP's proposed revisions to the Plan are reasonable and approve them. The change in fiscal year will align the Plan with the fiscal year that GMP uses for financial reporting since its acquisition. This will enable the continued use of audited financial information for the annual rate adjustments allowed under the Plan. It will also avoid the potential confusion and challenges of requiring GMP to use different fiscal years for the Plan and other reports.

GMP's revision of the fiscal year has two significant effects on the mechanics of the Plan. It will require GMP to include a one-time nine-month period for the base rate adjustment and Earnings Sharing Adjustor so as to align the Plan's reporting with the new fiscal year. It will also

require us to extend the Plan by an additional nine months so that the termination date coincides with the end of a fiscal year. Both of these changes are reasonable.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The revisions to Green Mountain Power Corporation's Alternative Regulation Plan to convert the annual period for the Earnings Sharing Adjustor and base rate adjustment to a period ending September 30 and to make conforming changes are approved.

Dated at Montpelier, Vermont, this 16th day of June, 2008.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: June 16, 2008

ATTEST: s/Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.